NORWAY

TRADE SUMMARY

In 1999, the U.S. merchandise trade deficit with Norway was $2.6 billion, an increase in the deficit of $1.4 billion from the previous year. U.S. exports to Norway were $1.4 billion in 1999, down from $1.7 billion in 1998. Norway was the United States' 48th largest export market in 1999. In 1999, U.S. imports from Norway totaled $4.1 billion, representing an increase of $1.2 billion from the level of imports in 1998. The stock of U.S. foreign direct investment in Norway in 1998 was $7.6 billion, an increase of 9.7 percent from 1997. Such investment is concentrated in the petroleum, manufacturing, financial services, real estate and wholesale sectors.

OVERVIEW

Norway is a member of the European Economic Area (EEA), which consists of the EU member countries together with Norway, Iceland, and Liechtenstein. Inside the EEA, but outside the EU, Norway has assumed most of the rights and obligations of the EU but has limited ability to influence EU decisions.

While Norway has its own tariff system, U.S. exports face most of the same trade and investment barriers which limit U.S. access to the EU. Preferential tariff rates are granted to the EU and other EEA members. EEA non-tariff barriers of greatest concern for U.S. trade with Norway are those regarding labeling and approval for agricultural goods produced using growth hormones or through genetic modification, where questions have been raised regarding the scientific basis for such measures.

The Norwegian government has completed much of the transition required under EEA obligations to comply with EU directives. Adaptation is a constant process, however, as new EU directives are required to be implemented in Norway by virtue of the EEA. The current outgoing coalition government, which assumed power in October 1997, has faced controversy with regard to some newer EU directives, but most directives are being adopted by the parliamentary opposition.

IMPORT POLICIES

Agricultural Tariffs

In July 1995, Norway accelerated its WTO implementation commitments for tariff reduction on agricultural commodities by immediately adopting the year 2000 bound tariff rate targets. Tariffication of agricultural non-tariff barriers under the Uruguay round has led to the replacement of quotas with higher product tariffs. Domestic agricultural shortages and price surges have been countered by temporary tariff reductions. Lack of predictability of tariff adjustments and insufficient advance notification (generally only two to five days prior to implementation) have made imports from the United States of fruit, vegetables, and other perishable horticultural products substantially more difficult than under the previously existing import regime and favor nearby European suppliers.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Agricultural Product Standards

The Norwegian government follows the EU policy of banning the import of animals, and meat from animals, that have been administered growth hormones, including growth hormones approved in the United States for beef. The ban effectively keeps out U.S. exports of red meat and meat products to Norway.

The government introduced a regulation in October 1997 requiring the labeling of all products which contain a minimum of two percent material derived from modern biotechnology – or, in European terminology a genetically modified organism (GMO) source.

The regulation requires labeling regardless of whether the GMO trait is carried into the processed product.

There is strong opposition to food products containing GMOs among Norwegian consumer organizations and retail groups, with the focus currently on GMO soybeans and derivative products. While the government has thus far refrained from banning such commodity imports, market prospects are very limited if alternative non-GMO commodities products are available. The refusal of Norwegian food processors to buy soybeans which are not certified as "GMO-free" has resulted in U.S. soybean sales declining from a traditional level of about 250,000 tons annually until 1995 (before the appearance of GMO soybeans in the U.S. crop) to none in 1997, 1998 and 1999. On the processed foods side, the Norwegian consumers' council, in cooperation with the large retail food chains, has threatened periodically to boycott products containing GMOs.

Under the authority of Norway's 1993 gene technology act, the government may ban the import of products containing GMOs based on a number of criteria. These criteria apply regardless of the scientific merits of the product, including safety and effectiveness. The government has used the act selectively and GMO products are generally banned if non-GMO alternatives are available. In practice, this has resulted in banning imports while granting exemptions for some locally produced GMO products.

In the pharmaceutical sector, for example, the government banned the import of certain products such as rabies vaccines containing GMOs on the basis that the disease was not endemic to Norway and non-GMO alternative pharmaceuticals were available. On the other hand, the government has granted local pharmaceutical manufacturers exemptions to produce pharmaceuticals containing GMOs for the domestic and export markets.

The market for U.S. processed foods is impeded significantly in Norway due to the Norwegian food authorities' restrictive practices concerning the import of processed foods which contain enrichment additives. While limited exceptions are granted on a case-by-case basis, the authority generally bans or restricts the distribution of foods that contain additives not essential to the product, regardless of whether the additives are beneficial. Examples include bakery mixes with enriched flour and cereals with vitamin additives.

An additional barrier for the U.S. processed food market is the requirement that importers complete a detailed agricultural raw materials declaration. Manufacturers have declined to provide the information out of concern that it would require releasing proprietary information.

INVESTMENT BARRIERS

In 1995, in accordance with EEA national treatment articles, the Norwegian government abolished the earlier rules governing foreign investment in industrial companies. Under the new system, foreign investors no longer need to obtain government authorization before buying limited shares of large Norwegian corporations. However, both foreign and Norwegian investors are still required to notify the government when their ownership in a large company (meeting certain size criteria) exceeds specific threshold levels of 33 percent, 50 percent and 67 percent. The Norwegian authorities can initiate a closer examination if they have reason to believe that the acquisition could have a substantial negative effect on the target company, trade, or the public interest, including a negative effect on employment. The result could mean some market protection to existing business against new market entrants.

There are no formal standardized performance requirements imposed on foreign investors. In the offshore petroleum sector, Norwegian authorities encourage the use of Norwegian goods and services. The Norwegian share of the total supply of goods and services to the offshore petroleum sector has been about 50 to 60 percent over the last decade.

In the past, the Norwegian government has shown a strong preference to Norwegian oil companies in awarding the most promising oil and gas blocks. In 1995, however, the government implemented an EU directive requiring equal treatment of EEA oil and gas companies. American oil companies competing in the 15th concession round (completed in 1996) agree generally that they were treated on a much improved basis compared to Norwegian companies. Norway's concession process still operates on a discretionary basis, however, instead of utilizing fully competitive bids.

Financial Sector

In December 1997, the government agreed to all elements of the WTO Financial Services Agreement (the Fifth Protocol to the GATS) with the exception of limiting the establishment of cross-border insurance operations to companies authorized specifically to operate in Norway. No additional implementation measures were required since the government's earlier implementation of the second protocol to the GATS, the EEA accords and the EU's second banking directive removed many financial sector barriers for EU and EFTA member countries. Recent deregulation of financial markets appears to have eliminated nearly all of the barriers facing U.S. financial institutions seeking to operate in Norway.

Without an exemption from the Ministry of Finance due to special circumstances, no single or coordinated group of investors, Norwegian or foreign, may purchase more than 10 percent of the equity of an insurance company, commercial bank or savings bank. The government has proposed a new threshold of twenty-five percent that would take effect in the year 2000 for certain joint ventures and strategic cooperation. In order for one or more foreign banks to establish a new Norwegian bank, one of the foreign banking partners must own more than 50 percent of the equity in the new bank. Without an exemption from the Ministry of Trade and Industry, half of the members of the board and half the members of the corporate assembly of a financial institution must be permanent residents of Norway or citizens of a state within the European Economic Area, when residing in such a state.

ANTI-COMPETITIVE PRACTICES

For most sales of pharmaceuticals to hospitals, companies are required to sell to a purchasing organization (the "LIS"). A virtual monopsony, the LIS buys on behalf of approximately 80 percent of the hospitals in Norway and has 66 percent of the market for pharmaceuticals used in hospitals. In a case before the EFTA Surveillance Authority (ESA) in 1999, however, the ESA ruled that the LIS practices did not violate the EEA agreement.

The Norwegian Association of Pharmaceutical Manufacturers (which includes American firms) has also complained about Norway's inadequate implementation of an EU directive on transparency of measures regulating the pricing of medicinal products for human use and their inclusion in the scope of national health insurance systems. ESA issued a preliminary ruling in favor of the complaint, but there are still concerns about how the Norwegian government implements the directive. In addition, Merck, a U.S. company, filed a follow-up complaint with ESA in June 1999 documenting the lack of transparency in the process of evaluating the reimbursement for the asthma medicine "Singulair."

OTHER BARRIERS

Telecommunications

On January 1, 1998, Norway fully liberalized its telecommunications services market to comply with its WTO commitments. This ended the effective monopoly of Telenor (the state-owned telecommunications company) on fixed line voice services, infrastructure, and telex services. Equipment which has not been tested and certified under the EEA's common technical regulations must be type approved by the Norwegian telecommunications authority. The Norwegian government has indicated that under normal procedures this takes about six weeks. In the past, U.S. companies have reported that this type of approval is slow and costly for companies offering new products.

Norway and its EEA EFTA partner states have expressed interest in negotiations with the U.S. to conclude mutual recognition agreements (MRAs) that could cover the following areas: telecommunications terminal equipment, electromagnetic compatibility, electrical safety, recreational craft, pharmaceutical good manufacturing procedures, and medical devices.